

MINUTES
Education Reform Commission - Funding Formula Committee
August 12, 2015 – 9:00 A.M.
State Capitol - Room 450

The following Funding Committee Members were in attendance:

Tom Dickson, Kent Edwards, Terry England, Barbara Hampton, Charles Knapp, Cynthia Kuhlman, Lindsey Tippins, Alvin Wilbanks and Dick Yarbrough.

Jack Hill was absent.

Welcome by Charles Knapp

The August 12, 2015 meeting of the Funding Formula Committee was called to order by Dr. Charles Knapp.

Approval of Minutes from July 16, 2015

The minutes from the July 16, 2015 meeting were disseminated. A motion was made and seconded to approve the minutes as presented. The motion was unanimously approved.

Dr. Knapp noted we are continuing to work at the staff and member level on the T & E proposals discussed at the last meeting. We will defer that conversation until the August 27th meeting. We have a lot to discuss today. There are two meetings in August and several meetings scheduled in the fall.

Alvin Wilbanks: When do we need our recommendations to take to the Commission?

Dr. Knapp: November 1st. That will give us a month and a half to come together and get with other committees.

Special Reports: State Comparisons by Martha Ann Todd

Martha Ann Todd stated that staff was asked during the last meeting to provide detail on comparison with other states and some rationale. Data was collected for all 50 states. The data included NAEP scores for states that were performing better than Georgia in some way and that were somewhat comparable demographically and in terms of income levels and spend per student. This resulted in states in the Southeast for comparison purposes. Each state's funding document that describes their funding formula was reviewed. States with NAEP scores that were higher than Georgia on at least one of the 4th through 8th grade math and language arts area with a statistically significant difference and not lower than Georgia in those areas were considered. The percent of students had to be greater than Georgia in at least two of those areas for 4th through 8th grade reading and math. Comparability in terms of free and reduced price lunch percentage of students taking NAEP was also considered. The result was a comparison of Florida, Kentucky and North Carolina. Texas was also included in this comparison to have an additional state because they scored lower than Georgia in just one area. Tennessee was included because of the similarity to Georgia in many attributes, and while they did not out-perform Georgia students on the NAEP, Tennessee has improved faster on NAEP performance than any other state in the nation in the last few years.

On page 3, funding formulas were compared. Basically there are two types: a teacher allocation- base determined around class size in the same way that QBE has been done in the past and a foundation-based formula determined with a base student funding with weights for student characteristics.

The big takeaway from the data was that there are some similarities across those five states and there were some differences, as well. No state is doing their funding formula the exactly the same way as any other state or exactly the same way we have talked about doing it in Georgia. There are multiple states that are following the same approach in the various areas that have been discussed in terms of T & E, salary-based and average salary considerations. Most of the states do have weights or some funding mechanisms to recognize students with those characteristics; however some do not. All states have some consideration given for various district characteristics whether they be low wealth or geographic size that creates challenges for transportation, declining enrollment, and those sort of considerations are listed across the bottom of the page.

Page 4 of the document provides comparisons of weights for later discussion.

Questions/Comments

Lindsey Tippins: Can you give expenditure data?

Martha Ann: Yes, I will provide it to you.

Lindsey Tippins: We may want to look at expenditure information in Georgia.

Summary of Base by Susan Andrews/John Dunn

To begin the discussion of what is funded in the base, Susan Andrews reviewed the spreadsheet information provided at the previous meeting which detailed suggested weights and proposed costs included in the base. The discussion then turned to the spreadsheet detailing a side by side comparison of QBE and the parts of the proposed funding formula on which the committee has reached a preliminary consensus. It was noted that if committee members summed the amounts on the narrative they would note a one penny difference; however, in an effort to mirror the spreadsheet exactly, the same numbers were used. The difference is a result of rounding in the spreadsheet.

When referencing the proposed weights, one must assume a 1 in front of the weight because each student earns the base amount. QBE funds segments; therefore, the whole number remains in front of the QBE weights.

In the model shared with the committee, the base amount per student is calculated at \$2,046.69. Dr. Knapp pointed out that the constraints on the modeling is the fact that the calculation must balance with the FY16 revenue allocation. The modeled amount in the base does not include T & E, State Health Benefits, and does not include the TRS contribution. It was discussed that these items equate to a large sum of money that's in QBE that's not reflected in the modeled base. The question being answered by this demonstration was how do we know what is funded in that base amount? If this base amount had been earned through QBE, these are the items that would be funded. The narrative document provided to the committee details these items. Dr. Andrews pointed out that teachers are funded in this model at a ratio of 1:29. That is a higher ratio than in QBE; however, this would be the funding for a 4 through 8 grade class in which the students had none of the characteristics the committee has discussed weighting. Most likely, there are not any 4 through 8 classes in the state of Georgia where there would

be no students without some of the characteristics noted. It was discussed that one must add that weight to the base which provides additional funding for the districts to adjust the class size. If these funds had been earned in QBE, counselors would be funded at a ratio of 1:450, instructional specialists which are art, music, physical education and elementary foreign language teachers would be funded 1:450. Technology specialists at 1:1100 and instructional operations, which includes textbooks, technology and supplies, would be funded at \$85.80 per FTE. So using those ratios at an amount per instructional operations, districts would receive \$1,383 of this \$2,000 base for direct instructional costs.

In QBE there are also indirect instructional costs funded. If these funds in this base had been earned through the QBE formula you would see they would earn cost of: Superintendent and Central Office \$9.39, Social Workers \$13.70, Psychologist \$13.70, Principal \$61.93, Assistant Principal \$54.34, Secretary \$22.70, Operations \$6.06, Facility M & O \$298.00. The total amount of Indirect Instruction is \$479.82.

In addition, if this base amount had been earned in QBE, there would be \$73.88 for media, \$14.61 for staff development, \$19.89 for nursing and \$75.23 for transportation. So the total student base amount in the proposal would include those items earned in QBE under direct instruction, indirect instruction and additional base elements we described and that would calculate to a student base of \$2,046.69.

There are 37 states that report some form of base or foundation funding in their formulas, and there is that range that you saw in the document Martha Ann Todd reviewed with the committee and there is a median base of \$5,188. Remember the base of 2,046.69 does not include those three large pots of money for health insurance, TRS, and T & E.

Questions/Comments

Tom Dickson: It's fair to say that simply comparing base to base does not mean anything unless you know what's covered by that base.

Susan Andrews: Yes, that's correct.

Tom Dickson: Please check on the number for technology specialist.

Erin Hames: It looks like the amount for technology specialist is incorrect; the ratio there is 1:1100, but the amount is more than it is for art, music and PE which is a ratio of 1:450.

John Dunn: I will run down those numbers and report back.

Barbara Hampton: You continually reference in the QBE as you went through the report, but these are really two different things. Were you referencing that due to some kind of earning in QBE?

Susan Andrews: Many members have asked what's in the base. As a result, we were trying to provide that comparison of QBE and the new formula and it is somewhat difficult because you're not really comparing apples to apples. But if that amount of money had been earned through the QBE formula, this would give you a sense of what things could be included in that base.

Barbara Hampton: I think another way to say the same thing is, where did that \$2,046 come from? It came from over here in QBE, that's where we would have pull it from.

Lindsey Tippins: Currently what is the average teacher salary throughout the State?

Susan Andrews: \$50,700.

Alvin Wilbanks: I think the ratio of 1:29 is high.

Martha Ann Todd: Bear in mind we are not comparing apples and apples; we're comparing apples and oranges. When you're talking about the QBE ratios we're talking about 1:23 in these various levels. You have a different ratio for kindergarten, one for CTAE, etc. This is just the base ratio and it changes based on the student characteristic in that class. So, it started at 1:29, but rarely if ever do you really have a class that's earning 1:29 if you were calculating that way. It's really hard to do this comparison because you're comparing apples to oranges.

Charles Knapp: To address Mr. Wilbanks question, to get apples to apples, if you were to factor in the kind of characteristic of the student population in the state, whatever that ratio would be I think this would be a better comparison. This may be difficult to do.

Alvin Wilbanks: I think anytime you're making a comparison if your comparison the same thing, that makes better sense. As you pull these things out, it's impossible to do that using some of the numbers.

Tom Dickson: Does it help Mr. Wilbanks if you think of it in term of the QBE formula -- The difference between the funding ratio?

Susan Andrews: We have some examples of some student earnings in another document that helps see that amount supplemented by the student characteristic. Really you're not going to be funded at 1:29 once you add those weights.

Erin Hames: 1:29 is not the average because the average has to roll in to what the weights are. So the 1:29 is what's only in that base amount. A starting place basically.

Martha Ann Todd: And we are not saying we would be funding at a level of 1:29. We're saying that if we were still calculating this amount of money under QBE it would have been at 1:29.

Alvin Wilbanks: Well if you put it in the base you funding it that way. Your base is just that, it's the base. Everything else is on top of that. You can't shift here without impacting somewhere else.

Susan Andrews: That's a conversation we're had internally as we developed this to try to show you a comparison. It is two totally different ways of funding, but if you want to know what kind of things you can do with that base here's an example based on what was funded in QBE.

Summary of Preliminary Weights by Martha Ann Todd/John Dunn

These weights are +1 because the 1 is in the base. Dr. Andrews pointed out that when the discussion is about a weight of .2 that student would earn 1.2 because of the base plus the weighted characteristic.

Upon review of state comparisons for weights, the committee observed the variety of ranges and weights. For K-3, the median for total grade weights is 1.0 and for lower grade weights it's 0.5. The QBE weight for Kindergarten is 1.6356 and 1-3 grade is 1.2778. Also listed is the proposed weight as a starting point. All of these can be adjusted based on what the committee would like in the base and the weight. This is a proposed starting place. In this model if one uses 0.2658 as the K-3 weight then that student would earn \$543.98 for each K-3 student in addition to that base number if that student has no other characteristic but just being in those grade levels.

Questions/Comments:

Alvin Wilbanks: If you look at what you put in the base and the weights, it seem we started talking about membership, now it seems we're talking about segments. Please clarify what we're talking about here because that can make a huge difference.

Charles Knapp: I understand we went back to segments to explain that we're talking about something different on these two weights.

Susan Andrews: In providing the comparison information, we had to talk about segments because that is what QBE is based on. In the new formula, we are talking about enrollment. The new funding formula is enrollment.

John Dunn: On the spreadsheet on the QBE side, weights for K-3 total FTE is \$455,000. Membership K-3 is \$542,000. One hundred thousand more of membership than we were using for the FTEs.

Alvin Wilbanks: When we get to the Special Ed category are we talking about membership or segments?

John Dunn: Membership. All these numbers on the information I was given all fall under the characteristic of membership.

Martha Ann Todd continued the discussion with 9-12 weight. Due to the cost of providing specialized classes to hone college and career skills, the preliminary consensus is to provide a weight for students enrolled in grades 9-12. Each student in grades 9-12 would earn \$2,046.69 in the base. Using a weight of 0.1876, each student enrolled in grades 9-12 would earn an additional \$383.90.

CTAE Weight

Staff proposed weight of 0.1058 for CTAE and that would generate an additional \$216.45 for each student enrolled in a CTAE class.

Students with Disabilities

Martha Ann Todd stated that staff is continuing the discussion with DOE to determine the best way to identify students. 3 weights are being considered. There is discussion to have 3 or 4 weights in order to appropriately group the students for funding levels. Staff will provide more defined parameters by the next meeting around what makes sense for Georgia's students. Category I weight is 1.5160 generating \$3,102.70; Category II is 2.9333 generating \$6,003.56; Category III is 3.6157 generating \$7,400.13. This is a starting place.

Questions/Comments

Charles Knapp: I do not see the total for Special Ed on the spreadsheet.

Kent Edwards: At first glance you look at QBE total earnings verses membership earnings and there's a significant difference. Please help me to understand.

John Dunn: You have to add the \$2,000 base to each Special Ed enrollment. That's roughly 175,000 students. Add \$2,000 for that on top of what you see in the base.

Kent Edwards: To Dr. Knapp's point, have you done that calculation adding the base to that to come up with the total and be able to compare the two memberships versus segments?

John Dunn: For now, we have the allocation sheet for MOE.

Alvin Wilbanks: It's important that we transition from thinking about segments to membership if that's what we're going to do.

Martha Ann Todd: All the weights on page 8 are predicated on membership.

Dick Yarbrough: I am concerned about the statement on page 3, "there is no industry standard for the weight of any student characteristic or for the amount of money the weight should generate". Our funding is based on these weights. For those in the political arena, we have to defend how we can up with the numbers. How do we explain this to others?

Martha Ann Todd: It's more relative than arbitrary. We should make sure that we make the final determination of what our weight should be that our relative weights reflect what we perceive to be the relative need or priority for funding those characteristics, and the available funding.

Dick Yarbrough: What I saw from the various states reflected is that everybody is different.

Alvin Wilbanks: I think we are conflicted when we talk about what a weight is based on characteristic. It would be good for us to remember that this is not an exact science.

Tom Dickson: When we get ready to roll something out, we need to be ready to explain why certain weights go up or down. For example, CTAE. The total amount of dollars we will have available to provide for CTAE instruction for kids is going up or going down and why.

Charles Knapp: I think the answer is that now that CTAE student may have other characteristics as well that feed money in. For example, we've never had an economically disadvantaged index before. If that student is economically disadvantaged, CTAE alone may be down, but their membership have students that are economically disadvantaged, that student may earn more money.

Martha Ann Todd: It's very difficult to compare one group or one characteristic to the old way of funding; it's almost the student as a whole that you have to compare.

Susan Andrews: We need consensus on if you feel this is a good starting place for us to begin modeling. We need to get consensus from this committee to start the modeling as a whole, not just bits and pieces.

Tom Dickson: There is disparity on the Special Ed numbers.

Martha Ann Todd: One of the things we having to take into consideration is trying to flesh out a model with Special Ed provision at DOE that makes sense. We can't just look at disability or being Special Ed, you also have look at the amount of time they receive services not necessarily on a segment basis, but there is a difference in a child that receives services 30 minutes a week and a child served all day every day plus extended care services. We are taking that into consideration in trying to determine what category these students go into.

Member: Before we take it as a given, going from FTE to enrollment, that's a huge difference in the calculation.

Martha Ann Todd: We will model it out and compare to some districts by actual students counts this year.

Tom Dickson: The enrollment count concerns me. If I understand it correctly, that's the number of students enrolled in school on any given day.

Martha Ann Todd: We will have to use the October count day as it's mandated for certain federal reporting. This is a determination that will have to be made. We have centered our discussions around the assumption that you would use the October count day, the sign off numbers in student records at the end of the school year, and potentially one other count day that you might determine.

Kent Edwards: You're going to look at models so you can't do the reverse. You don't want people to maximize on a particular day.

Susan Andrews: That's why we have the category with time as one of the factors, and also we've talked about using student records as a count. The district where the student was last enrolled would get the credit.

Charles Knapp: The question at this point is are we at a stage where we can set the model? I would like to ask the Commission, are we at a point where we can move forward?

Tom Dickson: Since we can't do anything else until we see a model, I would say move forward.

Alvin Wilbanks: Yes

Charles Knapp: I would like to make a suggestion that we fine tune the students with disabilities issue and report back on that as Martha Ann and her discussions with DOE continue. We will use this as the preliminary weight in building the model. We really won't know that outcome will be until we run the model. We've got to have the T & E also in order to run the model.

Lindsey Tippins: In terms of preliminary consensus, I think we can run the model. Also I would like to ask that if we can get our information sooner, that would be great.

Charles Knapp: Your concern about getting this information late, I will take responsibility for that.

Charles Knapp: Let's use this as a framework and move forward. We have preliminary consensus to run the model framework. In order to run the model effectively, we have to get the T & E framework.

Dr. Knapp, let's start with the categorical grants. I really want to generate discussion from the Committee about this.

Local Five Mill Share by Susan Andrews/Martha Ann Todd

Dr. Andrews led the discussion on Local Five Mill Share. The purpose for each of these funding sources has not changed but over the years the formulas have been adjusted, trying to make sure they meet their intended purpose.

All school districts electing to receive QBE funding from the state are required to levy the equivalent of at least five mills in property taxes as a basic local commitment to educating their students. The method of calculating the five mill share includes taking the most recent 100% equalized property tax digest, reducing that amount by homestead and other legally approved exemptions calculating that remaining five mills digest is and deducting that amount from the QBE earnings.

The FY16 appropriation was \$1,664,572,225. This is a deduction of the state's portion of QBE and that represents about 15.9% of total QBE earnings. When thinking about five mill share, should we consider combining five mill share with equalization? Should we consider adjusting the level from five mills to something else? Should we have a sliding scale for districts who have less property values less than five mills? Should we raise the five mills? These are the type of items up for discussion today.

Equalization by Susan Andrews/Martha Ann Todd

Martha Ann Todd started the discussion with a definition of Equalization. Equalization is an attempt to equalize the disparities in property wealth per student that exist in the state. There is a huge disparity in the ability to generate tax revenue based on property wealth across the districts in Georgia. The value of the mill is not a constant thing, it's not even constant from year to year, or over a period of years. That has been taken into consideration in a number of different calculations that have changed over time. In the 3rd and 4th paragraph in the handout you will see some history about how the calculation has been done. Currently districts are required to demonstrate their commitment by levying 12 ½ effective mills after accounting the local five mills share. In 1987, system were required to levy at least 3 effective mills. In 1990, this was changed to 3.25 mills. In 2012, the law was changed to increase the effective mills over a period of time. Beginning FY16, at least 12 mills must be levied by districts and the law includes a provision for that rate to increase by 0.5 mills each year resulting in the threshold rising to 14 effective mill by FY20.

Our questions for the Committee: What do we want us to consider going forward? Should we consider a combination of the local five mills and equalization? Are there additional or multiple measures that we should take into account? Property wealth is already a consideration. Do we need to think about per capita income in the district or household income? Percentage of students below the poverty line? Unemployment rates? Do we want a sliding scale for the local five mill shares? What do we want to think about going forward in terms of looking at equalization?

Questions/Comments:

Tom Dickson: Property wealth is really the only one of those listed a system can use to generate funding. In terms of how a system can raise money is property wealth. I think we do a disservice to the system's ability to raise money if you build some other measure in terms of how we're going to equalize their funding.

Susan Andrews: Do you think that we could combine five mill share and equalization? Let's think about this concept.

Sparsity Grant by Susan Andrews/Martha Ann Todd

Dr. Andrews led the discussion on sparsity grants. Sparsity grants are allocated to qualified school systems who do not earn sufficient funds through the QBE formula to provide a comparable educational program because their FTE counts are less than established base sizes at any of the grade levels: Elementary schools 450; Middle schools 450; Middle/High schools 485; High schools 485; K12 schools 935.

In FY16 55 schools qualified for sparsity grants, providing increased funding to 43 separate school systems.

Questions/Comments:

Susan Andrews: Are there specific indicators that you want to make sure that we look at in the model when we're talking about sparsity? Those district's overhead is about 47% more than a typical district.

Alvin Wilbanks: I think sparsity is misnamed; I would refer to them as low enrollment districts.

Barbara Hampton: What are we considering in terms of transportation and sparsity?

Erin Hames: When we put transportation in the base, we talked about it in sparsity.

Tom Dickson: I think it's good for those two programs to share some similar criteria: however I would not put transportation and sparsity together.

Lindsey Tippins: I think we need to put transportation back into the base. All counties should be listed, their millage rates, their taxable digest. Also the exempted property percentage. Also we need sparsity listed. I think we need to analyze the districts not receiving millage.

Barbara Hampton: I think your comment about exempted property belongs in the equalization section. If they have exempted more than 10% of their property taxes and are now receiving equalization, that has to get in the equation of equalization.

Charles Knapp: Martha Ann, are there best practices out there from other states? Yes.

Charles Knapp: On transportation, if we were to construct a formula that really address transportation at the state level, the cost would be astronomical.

Lindsey Tippins: We need to look at districts that do not have a certified digest. DOAA indicated there is a lack of uniformity as to how districts report.

Terry England: We need to discuss the small systems and their equalization. We may need to consider going to a three year rolling average.

Charles Knapp: How satisfied are you with current equalization, sparsity, five mill configurations?

Tom Dickson: In terms of sparsity, it is better than last year. Equalization has peaks and valleys. It does the best that we can afford to do right now.

Charles Knapp: How deep do we want to go?

Kent Edwards: I don't think we will come to preliminary consensus on fairness.

Barbara Hampton: I would like to see everyone's property values are accurately reflected.

Martha Ann Todd: Do you want to look at relative cost among the various districts?

Dick Yarbrough: I hope we can make an effort to provide data as quickly as possible.

Alvin Wilbanks: I would suggest that Susan or Martha Ann talk to a few of the districts that fall in this category.

Kent Edwards: The information is informing, but there should be some modifications to address the uniqueness that have occurred over time. With the limited time we have, to bring some things forward to continue to have information to better target and address what needs to be discussed, rather than a model that needs to be reconstructed.

Charles Knapp: We will try our best to get information to you in a more timely manner.

Next Meeting: August 27, 2015; 10AM-3PM; Capitol 450

Meeting Adjourn

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